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**UNITED STATES BANKRUPTCY COURT**  
**EASTERN DISTRICT OF CALIFORNIA**  
**FRESNO DIVISION**

In re

CAPITAL FARMS, INC.,

Debtor.

Case No. 25-10074-A-12

Chapter 12

DCN: FW-17

**TECH AG FINANCIAL GROUP, INC.'S  
OBJECTION TO MOTION TO CONFIRM  
CHAPTER 12 PLAN DATED JULY 29,  
2025**

Date: September 4, 2025

Time: 10:30 a.m.

Place: Dept. A, Courtroom 11

5th Floor

United States Courthouse

510 19<sup>th</sup> Street, Bakersfield, CA

Hon. Jennifer E. Niemann

1 Tech Ag Financial Group, Inc. (“Tech Ag”) objects to the Motion to Approve Chapter 12  
2 Plan Dated July 29, 2025 (“Motion to Approve Plan”) (Dkt. No. 251) filed on April 23, 2025, in  
3 the instant case of Capital Farms., Inc. (the “Debtor”), seeking the approval of the Chapter 12 Plan  
4 dated July 29, 2025 (“Plan”) (Dkt. No. 253).

5 **I. INTRODUCTION**

6 The Plan is designed to benefit insider co-obligors. It is not being proposed in good faith. It  
7 is based wholly on a defective under-valuation of Tech Ag’s collateral.

8 The Court should deny.

9 **II. ARGUMENT**

10 **A. The Debtor hasn’t met its burden.**

11 The chapter 12 debtor bears the burden of proving that its proposed plan meets each of the  
12 requirements for confirmation as set out under section 1225(a). *In re Torelli*, 338 B.R. 390, 395  
13 (Bankr. E.D. Ark. 2006) (citations omitted).

14 As analyzed below, it has not met its burden.

15 **B. The Plan hasn’t been proposed in good faith.**

16 Section 1225(a)(3) requires that the Chapter 12 plan be proposed in good faith and not by  
17 any means forbidden by law. 11 U.S.C. § 1225(a)(3). “In essence, the good faith requirement is a  
18 catch-all provision that allows the court to take an overall look at the use which the debtor has  
19 made of the chapter 12 filing. If the court determines that the debtor filed the case or filed the plan  
20 for a purpose other than a good faith attempt to reorganize the debtor's farming business, the court  
21 is empowered by § 1225(a)(3) to deny confirmation.” 8 COLLIER ON BANKRUPTCY ¶ 1225.02[3],  
22 p. 1225–7 (15th ed. rev. 1999).

23 Here, the Plan is not being proposed in good faith. The Debtors are clearly attempting to  
24 benefit insiders. They are using the Plan as a means of essentially restructuring the debt of insider  
25 co-obligors on the Rabo Agrifinance LLC (“Rabo”) debt. *See* Tech Ag’s Opposition to Motion to  
26 Value. The Plan includes other debts to distract from this, including T M Duche Nut Co (who  
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28

1 withdrew its claim, see Dkt. 179) and Kubota who has also been paid.<sup>1</sup>

2 The Court should deny the Motion for this reason alone.

3 **C. The Plan Fails To Satisfy The Best Interests Of Creditors Test.**

4 At a minimum, a chapter 12 plan must provide that “the value ... of the property to be  
5 distributed under the plan on account of each allowed unsecured claim is not less than the amount  
6 that would be paid on such claim if the estate of the debtor were liquidated under chapter 7.” 11  
7 U.S.C. § 1225(a)(4).<sup>2</sup>

8 Here, the Plan is based on the Motion to Value, which purports that Tech Ag’s claim is  
9 wholly undersecured and therefore unsecured under § 506(a). For the reasons stated in Tech Ag’s  
10 Opposition to Motion to Value, that assertion is incorrect. Tech Ag is fully secured based on  
11 valuations of its collateral. Accordingly, the Plan fails the best interests test because Tech Ag  
12 would be paid in full in a chapter 7 liquidation.

13 **D. The Plan doesn’t provide Tech Ag with the present value of its secured claim.**

14 Section 1225(a)(5) provides that if a secured claimholder does not accept the plan under  
15 section 1225(a)(5)(A), the debtor must either provide for the creditor’s retention of its lien and pay  
16 the present value of the claim pursuant to section 1225(a)(5)(B) or surrender the property in  
17 accordance with section 1225(a)(5)(C). The Plan doesn’t provide any such treatment for Tech Ag  
18 at all in violation of § 1225(a)(5).

19 **E. The Plan doesn’t provide adequate protection to Tech Ag.**

20 Courts have interpreted §§ 1225(a)(5) and (a)(6) to implicitly require post-confirmation  
21 adequate protection. *See In re Adam*, 92 B.R. 732, 735 (Bankr. E.D. Mich. 1988) (“The  
22 requirement of adequate protection can also be implied from the penumbra of two subsections,  
23 § 1225(a)(5) and (6), read together.”).

24  
25 <sup>1</sup> Kubota filed a termination statement for its UCC-1 on June 5, 2025. File No.  
26 U250148017427. On information and belief, Duche has had its pre-petition claim paid in full.  
Discovery is underway.

27 <sup>2</sup> In addition to the claims for contribution and reimbursement, the Debtor must also  
28 evaluate its own avoidance actions.

1 Here, the Plan proposes to pay Tech Ag nothing based on its erroneous assumption that  
2 Tech Ag is completely undersecured and therefore unsecured under § 506(a). That assertion is  
3 bogus. *See* Tech Ag’s Opposition to Motion to Value.

4 This proposed treatment is premised on the Court granting the Debtor’s Motion to Value  
5 Collateral (Dkt. 263). But the Motion to Value is, itself, fatally defective. Tech Ag incorporates by  
6 references its concurrently-filed Opposition to the Motion to Value and restates those same  
7 objections herein in opposition to the Plan.

8 **F. A Non-Debtor Cannot Use Chapter 12 to Restructure Debt.**

9 “[A] discharge in a Chapter 12 bankruptcy does not discharge co-debtors if the  
10 reorganization plan does not address co-debtor liability. *See* 11 U.S.C. § 524(e) (‘Except as  
11 provided in subsection (a)(3) of this section, discharge of a debt of the debtor does not affect the  
12 liability of any other entity on, or the property of any other entity for, such debt.’)” *Lazy D*  
13 *Diamond Ranch, Inc. v. U.S. Dep’t of Agric.*, 4 F. App’x 418, 419 (9th Cir. 2001) (internal citations  
14 omitted).

15 Here, the non-debtor obligors may not use the Debtor’s chapter 12 to restructure their debt.  
16 All of the co-obligors on the Rabo debt therefore (whether they be co-borrowers or guarantors)  
17 may not take on the benefits of chapter 12 without filing their own bankruptcy cases. Thus, those  
18 co-debtors are not entitled to the benefits of any restructuring via the plan.

19 **G. The Plan does not address Tech Ag’s nondischargeability claims.**

20 Section 1228(a)(2) provides that “the court shall grant the debtor a discharge of all debts  
21 provided for by the plan ... except any debt ... of a kind specified in section 523(a) of this title.” 11  
22 U.S.C. § 1228(a)(2).

23 Here, the Plan fails to disclose or “deal with” Tech Ag’s nondischargeability claims  
24 against the Debtor. The Debtor may not discharge Tech Ag’s claims. In fact, the Plan purports to  
25 discharge Tech Ag’s claim entirely—without paying a dime to Tech Ag. But the Plan fails to deal  
26 with Tech Ag’s nondischargeability claims against the Debtor. Indeed, as set forth in the  
27 testimony given at the Debtor’s March 10, 2025, meeting of creditors, the Debtor lied to Tech Ag  
28 in a personal financial statement. *See* Declaration of Michael J. Gomez in Support of Opposition

1 to Motion to Value, Exh. 1. March 10, 2025, Transcript at 14:2–17:16 (reflecting testimony of the  
2 Debtor’s principals concerning the falsity of their debt listed in connection with their providing a  
3 financial statement to Tech Ag to get the loan).

4 Because the Plan purports to discharge this debt, it must disclose what happens if the debt  
5 is not discharged based on Tech Ag’s nondischargeability claims against the Debtor.

6 **H. If and to the extent that Tech Ag is determined to be unsecured, then the**  
7 **Debtor must commit all disposable income, which it has not done.**

8 Once the chapter 12 trustee or an unsecured creditor object to confirmation, the plan  
9 cannot be approved unless either: (1) the value of the property distributed under the plan on  
10 account of the claim is not less than the amount of the claim; (2) the plan provides for all of the  
11 debtor’s projected disposable income to make payments under the plan; or (3) the value of the  
12 property distributed under the plan is not less than the debtor’s projected disposable income. 11  
13 U.S.C. § 1225(b)(1).

14 Here, to the extent Tech Ag is undersecured or unsecured, which Tech Ag presently  
15 contests based on the Debtor’s own valuations, the Plan must show that the Debtor is complying  
16 with § 1225(b). For example, the Debtor would have to commit all of its disposable income. But,  
17 the plan projections don’t show that. Further, as indicated above and in Tech Ag’s opposition to  
18 the Motion to Value, the Debtor’s liquidation analysis is wildly off. It has no relevance  
19 whatsoever for the reasons set forth in the opposition. Thus, there is very likely value for  
20 unsecured creditors in this case. The Plan does not account for such value whatsoever.  
21 Accordingly, the Plan fails § 1225(b).

22 **I. The Plan fails § 1225(a)(1).**

23 The primary requirement to confirming any chapter 12 plan is that the plan complies with  
24 chapter 12 and with other applicable provisions of the Bankruptcy Code. 11 U.S.C. § 1225(a)(1).

25 Here, the Plan fails this test because the Debtor has fiduciary duties under § 1203 and must  
26 pursue claims for reimbursement and contribution as well as any avoidance actions, which it does  
27 not disclose.  
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**III. CONCLUSION**

Based on the foregoing, the Motion to Approve Plan must be denied.

DATED: August 21, 2025

FRANDZEL ROBINS BLOOM & CSATO, L.C.

By: /s/ Michael J. Gomez

MICHAEL J. GOMEZ

Attorneys for

TECH AG FINANCIAL GROUP, INC.